

## Message Text

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72

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 IO-10 L-02 AID-05 AGR-05 COME-00

XMB-02 CIEP-01 TRSE-00 CIAE-00 INR-07 NSAE-00 RSC-01

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R 242345Z JAN 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 257

INFO AMEMBASSY CANBERRA

AMCONSUL SYDNEY

C O N F I D E N T I A L PORT MORESBY 0071

PASS EX-IM BANK AND COMMERCE

E.O. 11652: GDS

TAGS: EAGR

SUBJECT: PARSONS/WHITMORE INVESTMENT BLOCKED

REF: PORT MORESBY 0048

1. ACCORDING TO JAMES CAVANAUGH, AN ASSOCIATE OF PAUL GIBSON'S, PARSONS/WHITMORE IS NOW ALMOST SURE TO WITHDRAW ITS PROPOSAL FOR THE PULP MILL IN THE WEST SEPIK. GIBSON TOLD CAVANAUGH SHORTLY BEFORE HIS DEPARTURE FOR SYDNEY THAT MINISTER OF NATURAL RESOURCES JEPHCOTT HAD OFFERED TO GIVE P/W "FIRST PREFERENCE" AMONG THE TWELVE COMPANIES WHICH WERE NOTIFIED THE PROJECT WAS BEING REOPENED FOR BIDS. GIBSON TOLD JEPHCOTT THE CHANGE OF POSITION WAS UNETHICAL AND THE FINANCIAL BACKERS ALREADY COMMITTED TO PROJECT COULD NOT POSTPONE THEIR EQUITY COMMITMENT FOR ANOTHER TWELVE MONTHS AS ENVISAGED BY JEPHCOTT, SOMARE AND CHAN. HE STATED THAT THIS INVESTMENT TURNDOWN BY GPNG AFTER WHAT HE DESCRIBED AS "FIRM COMMITMENT" WOULD NOT REDOUND TO GPNG CREDIT.

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WM GIBSON SAID HE WOULD CONTACT HIS COMPANY OFFICIALS

IN NEW YORK TO SEE HOW THEY FELT BEFORE MAKING A FIRM REFUSAL. COMPANY WILL MAKE DECISION IN EARLY FEBRUARY.

3. BOTH CAVANAUGH AND GIBSON BELIEVE THE TURNDOWN RESULTS FROM POLITICAL RATHER THAN ECONOMIC REASONS. EVIDENTLY JEPHCOTT SAID OFF THE RECORD THAT SOMARE IS RELUCTANT TO SEE MAJOR NEW PROJECT STARTED NOW WITH THE POSSIBILITY OF ANOTHER AREA AGITATING FOR AN INDEPENDENT STATUS SIMILAR TO THAT OF BOUGAINVILLE. SOMARE IS SUPPOSED TO HAVE SAID "ONE BOUGAINVILLE IS ENOUGH." FURTHER, GPNG IS SAID TO FEAR SOCIAL IMPACT OF LARGE ROYALTY PAYMENTS TO A BACKWARD AREA, AND WANTS TO STALL THE PROJECT FOR A FEW YEARS. IN ADDITION, CAVANAUGH HINTED THAT GPNG WAS RELUCTANT TO AGREE TO ESTABLISH THIS MAJOR PROJECT IN NEW GUINEA AFTER IT HAD BEEN ORIGINALLY PLANNED IN PAPUA, ESPECIALLY IN THE LIGHT OF CURRENT PAPUAN SEPARATIST ACTIVITY.

4. COMMENT: GIBSON AND CAVANAUGH OBVIOUSLY WANT US TO BELIEVE THAT PNG'S ACTION IN SEEKING BIDS FROM 12 COMPANIS AFTER MAKING AT LEAST A PARTIAL COMMITMENT TP P/W WILL HURT PNG'S REPUTATION WITH BOTH INTER-NATIONAL FINANCIAL INSTITUTIONS AND WITH OTHER POTENTIAL INVESTORS. THEY ALSO WANT US TO BELIEVE THAT THIS DECISION WOULD REDUCE AUSTRALIA'S WILLINGNESS TO GRANT LARGE SCALE AID. BOTH BELIEFS MAY BE CORRECT, BUT CONFIRMATION WILL HAVE TO COME FROM PLACE OTHER THAN PORT MORESBY. AT LEAST PART OF GIBSON'S UNHAPPINESS COMES FROM FACT HE FEARS HIS OWN REPUTATION AS A BUSINESSMAN WILL SUFFER.

5. GPNG'S MOTIVATION IN DECIDING TO BACK OFF FROM P/W AND ASK FOR 12 BIDS IS PROBABLY QUITE COMPLEX. IT SEEMS LIKELY, HOWEVER, THAT GPNG FEELS SOMEWHAT INSECURE IN DEALING WITH LARGE FOREIGN COMPANIES, AND WAS UNCERTAIN AS TO WHETHER THE P/W OFFER WAS ADVANTAGEOUS. IN ADDITION, THERE WERE POLITICAL REASONS FOR NOT WANTING TO MAKE THE DECISION NOW. IF THE PROJECT IS DELAYED FOR A YEAR OR SO, SOME OF CONFIDENTIAL

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THE CURRENT PROBLEMS MAY HAVE PASSED, THE GPNG WILL HAVE HAD THE OPPORTUNITY TO COMPARE THE BIDS OF VARIOUS OTHER COMPANIES, AND THE TREES IN THE WEST SQEPIK WILL STILL BE AVAILABLE.  
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## Message Attributes

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**TAGS:** EAGR, US, AS, PARSONS, WHITMORE  
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